Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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SUBJECT: ST. LAWRENCE SEAWAY NEGOTIATIONS

1. THERE FOLLOWS TEXT OF DEPARTMENT OF TRANSPORTATION (DOT) PRESS RELEASE ON PROPOSED ST. LAWRENCE SEAWAY TOLLS AGREEMENT.

2. BEGIN TEXT - "FOR IMMEDIATE RELEASE" -- TENTATIVE AGREEMENT REACHED ON NEW SEAWAY TOLLS

SECRETARY OF TRANSPORTATION BROCK ADAMS ANNOUNCED TODAY THAT A PRELIMINARY UNDERSTANDING REGARDING A NEW ST. LAWRENCE SEAWAY TARIFF OF TOLLS HAS BEEN REACHED BETWEEN THE DEPARTMENT OF TRANSPORTATION'S SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION AND THE ST. LAWRENCE SEAWAY AUTHORITY OF CANADA. THE TOLL SCHEDULE BEING PROPOSED IS THE
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RESULT OF MONTHS OF DISCUSSIONS BETWEEN THE TWO NATIONS.

THE NEW TARIFF, WHICH WILL NOT BECOME FINAL UNTIL AFTER FULL CONSIDERATION BY THE SEAWAY CORPORATION'S ADVISORY BOARD AND A PUBLIC HEARING IN THE U.S., WOULD TAKE EFFECT WITH THE OPENING OF THE 1978 SEAWAY NAVIGATION SEASON. DURING THE FOURTH YEAR, A REVIEW OF THE TARIFF WILL BE MANDATORY.

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FOR THE FIRST TIME SINCE THE SEAWAY OPENED TO DEEP DRAFT NAVIGATION IN 1959, THERE WOULD BE A TOLL INCREASE IN THE MONTREAL-LAKE ONTARIO (MOLO) SECTION. ON THE CANADIAN WELLAND CANAL SECTION -- THE CONNECTING CHANNEL BETWEEN LAKES ONTARIO AND ERIE -- EXISTING LOCKAGE CHARGES WILL BE REPLACED WITH TOLLS. TOLLS ON BOTH THE MOLO AND WELLAND SECTIONS OF THE SEAWAY WILL BE ASSESSED ON THE BASIS OF AN EXPANDED LISTING OF COMMODITY CLASSES. ALSO NEW WILL BE THE ASSESSMENT OF TOLLS ON THE BASIS OF METRIC TONS (1,000 KILOGRAMS OR 2,204.62 POUNDS) RATHER THAN SHORT TONS (2,000 POUNDS).

UNDER THE PROPOSED TARIFF, NEW CLASSES FOR GRAIN, GOVERN-MENT AID CARGOES AND CONTAINERS HAVE BEEN IDENTIFIED. THE NEW CLASSES WILL BE CHARGED TOLLS ON THE MOLO SECTION THAT ARE LOWER THAN THOSE PRESENTLY ASSESSED FOR EITHER BULK OR GENERAL CARGO. INCREASES ARE BEING MADE ON ALL OTHER CARGOES IN THE EXISTING BULK AND GENERAL CLASSES.

ON THE WELLAND, THE EXISTING $100 FEE PER LOCK WILL BE RE-PLACED BY COMMODITY TOLLS. FOR EACH OF THE TWO SEAWAY SECTIONS THERE ALSO WILL BE A CHARGE OF 7CENTS PER GROSS REGISTERED TON OF A COMMERCIAL VESSEL, COMPARED WITH THE 4 CENTS PER GROSS REGISTERED TON PRESENTLY CHARGED SUCH VESSELS TRANSITING THE MOLO SECTION.
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SECRETARY ADAMS OBSERVED THAT "THE NEW TARIFF APPEARS TO ADDRESS REALISTICALLY THE CONCERNS OF BOTH NATIONS. THE NEGOTIATORS ON BOTH SIDES HAVE GONE TO GREAT LENGTHS TO MINIMIZE THE IMPACT ON KEY COMMODITIES, WHILE AT THE SAME TIME PERMITTING THE U.S. AND CANADA TO RECOVER THEIR COSTS FOR THE SEAWAY IN A MANNER CONSISTENT WITH THE USER CHARGE POLICIES OF BOTH NATIONS."

DAVID W. OBERLIN, SEAWAY CORPORATION ADMINISTRATOR ADDED: "THE PROPOSED TOLL CHARGES ARE SIGNIFICANTLY DIFFE-RENT IN SEVERAL RESPECTS FROM THOSE ORIGINALLY SUGGESTED BY CANADA. THE TOLLS WE ARE NOW PROPOSING REFLECT SPECIAL CONSIDERATIONS FOR CERTAIN COMMODITIES SUCH AS GRAIN, CONTAINERS, AND GOVERNMENT AID CARGOES. FURTHERMORE, THE IMPACT ON CERTAIN BULK COMMODITIES WHICH PASS ONLY THROUGH THE WELLAND CANAL HAS BEEN GIVEN SPECIAL CONSIDERATION."

TOLL INCREASES ARE NECESSARY TO MEET INCREASED COSTS IN BOTH COUNTRIES. AS A RESULT OF INFLATION SINCE 1959, OP-ERATING EXPENSES HAVE INCREASED TO THE POINT WHERE REVENUES ARE NO LONGER ADEQUATE TO MEET THE COSTS OF THE SEAWAY

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ENTITIES. THE NEW TARIFF IS EXPECTED TO RECOVER FOR CANADA ABOUT $53 MILLION PER YEAR IN REVENUES FROM THE WELLAND AND ITS SHARE OF THE MOLO SECTION REVENUES.

THE U.S., IN TURN, EXPECTS TO RECOVER ABOUT $11 MILLION PER YEAR AS ITS NEW 29 SHARE OF REVENUES ON THE MOLO SECTION. THIS RECOVERY WILL PERMIT THE U.S. SEAWAY CORPORATION TO CONTINUE TO MEET ITS OPERATIONS, MAINTENANCE AND MOST OF THE OTHER EXPENSES REQUIRED BY STATUTE OVER THE NEXT FOUR YEARS.

AFTER REVIEWING THE PROPOSED TARIFF WITH THE ADVISORY BOARD AND EVALUATING COMMENTS FROM THE PUBLIC HEARINGS, A UNCLASSIFIED

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DECISION WILL BE REACHED EITHER TO APPROVE THE NEW RECOMMENDED TARIFF OF TOLLS OR TO MAKE FURTHER REVISIONS. THE LOCATION AND DATE OF PUBLIC HEARINGS WILL BE ANNOUNCED BY THE SEAWAY CORPORATION AT A LATER DATE. WHEN A FINAL TARIFF HAS BEEN APPROVED, DIPLOMATIC NOTES WILL BE EXCHANGED BETWEEN THE GOVERNMENTS OF THE U.S. AND CANADA OFFICIALLY PLACING INTO EFFECT THE NEW TARIFF.

NEW TOLL CHARGES PER 2,000-LB. TON FOR THE MOLO SECTION ARE AS FOLLOWS: 37 CENTS FOR GRAINS (A NEW CLASS, FORMERLY UNDER BULK CARGO); AND 37 CENTS FOR GOVERNMENT AID CARGO (A NEW CLASS, PORTIONS OF WHICH WERE FORMERLY INCLUDED IN BOTH CATEGORIES); 62 CENTS FOR BULK CARGO, AND $1.50 FOR GENERAL CARGO. CARGO TRANSITING THE WELLAND WILL BE CHARGED 45 CENTS PER SHORT TON ON GENERAL CARGO AND A TOLL OF 28 CENTS PER SHORT TON ON ALL OTHER COMMODITIES.

THE COMMODITY TOLLS ON THE WELLAND WOULD BE THE FIRST SINCE 1962, WHEN A NOMINAL TOLL SCHEDULE WAS SUSPENDED. SINCE 1967, CANADA HAS CHARGED A FEE FOR THE USE OF ITS EIGHT WELLAND LOCKS AND THAT FEE FOR COMMERCIAL VESSELS SINCE 1971 HAS BEEN $100 PER LOCK.

THE SEAWAY CORPORATION ALSO NOTED THAT THE NEW TARIFF WOULD ENTAIL SLIGHT INCREASES FOR PASSENGERS ABOARD SHIPS, AND FOR SMALL CRAFT TRANSITS. -- END TEXT.

3. BACKGROUND MATERIAL POUCHED. CHRISTOPHER

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